

# M e m o r a n d u m

To: Panel Members Date: November 20, 2003

From: Ruby Cohen, Manager Analyst: S. Joyce

Subject: One-Step Agreement for **California Physicians' Service d.b.a. Blue Shield of California (SET & SET/HUA)**

## **CONTRACTOR:**

- Training Project Profile: SET-Workers Earning At Least State Avg Hrly Wage  
Set-Workers In High Unemployment Areas
- Legislative Priorities: Moving To A High Performance Workplace
- Type of Industry: Finance and Insurance
- Repeat Contractor: No
- Contractor's Full-Time Employees
  - *Worldwide:* 4,205
  - *In California:* 4,205
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$778,141
- Substantial Contribution: \$0
- Total ETP Funding: \$778,141
- Total In-kind Contribution: \$989,892
  - *Trainee Wages Paid During Training:* \$989,892
  - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Butte, El Dorado, San Joaquin, Shasta, Yolo

## **INTRODUCTION:**

California Physicians' Service d.b.a. Blue Shield of California (Blue Shield), is headquartered in San Francisco. Blue Shield, founded in 1939 by the California Medical Association House of Delegates, is a not-for-profit corporation with 2.6 million members. The company employs 4,205 staff at 20 sites throughout California. Blue Shield, as a tax rated employer, contributes to the Employment Tax fund for all trainees included in this Agreement.

Blue Shield sites in Butte, El Dorado, Shasta and Yolo Counties qualify for ETP funding under Title 22 California Code of Regulations, Section 4409, Special Employment Training Projects for frontline workers, as defined under California Code of Regulations, Section 4400(ee), who earn at least the state average hourly wage.

San Joaquin County employees qualify for ETP-funded training under Unemployment Insurance (UI) Code § 10214.5(c) for projects in regions of the state where the unemployment rate is significantly higher than the state average. The September 2003 unemployment rate for San Joaquin County was 8.5 percent.

## **MEETING ETP GOALS AND OBJECTIVES:**

Blue Shield proposes training that will further the following ETP goals and objectives:

- 1) Increase the impact of the training provided through ETP funds on California's economy and target available funds for Special Employment Training (SET) projects to support growth industries that do not have out-of-state competition.
- 2) Increase the skills and employability of the workforce in areas of high unemployment.
- 3) Provide frontline workers with skills that prepare them for the challenges of a high performance workplace of the future.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 SET HUA Retrainees	Business Skills Commercial Skills Computer Skills Continuous Improvement	463	24-150	0	\$1,001	*\$10.98- \$37.98
Job Number 2 SET Retrainees	Same as above	247	24-175	0	\$1,274 Average cost per Trainee	\$19.96 - \$37.98
					<b><u>Prevalent Hourly Wage</u></b> \$14.58	
					<b><u>Average Cost Per Trainee</u></b> \$1,096	
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b> * Health benefits of \$1.90 per hour may be added to trainees' wages in Job Number 1 to meet the minimum hourly wage of \$10.98 for SET HUA trainees in San Joaquin County. * Health benefits of \$3.96 per hour may be added to trainees' wages in Job Number 2 to meet the minimum hourly wage of \$19.96 SET trainees in Butte, El Dorado, Shasta and Yolo counties.					<b><u>Turnover Rate</u></b> 21%	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b> 0%
<b><u>Other Employee Benefits:</u></b> Blue Shield offers employees life insurance, 401K participation, confidential counseling programs, scholarship programs for dependents, and team incentive plans.						

**COMMENTS / ISSUES:**

➤ **Frontline Workers**

All participants in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations (CCR), Section 4400(ee), whose primary duties consist of directly producing or delivering goods or services.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

➤ ***High Turnover Justification and Waiver Request***

In accordance with Title 22, California Code of Regulations, Section 4417(a), Secure Job, which states, "The Panel may accept a higher turnover rate if the employer provides evidence that the proposed training will significantly decrease the turnover rate, or the employer has experienced a singular reduction in force or other occurrence which adversely affected the turnover rate in the last calendar year...", the Employment Training Panel has the authority to waive the ETP maximum annual employee turnover rate of 20 percent.

The Blue Shield turnover rate for 2002 was 21 percent. The Contractor states that the turnover rate for the insurance industry is 30 percent. Since 2002, Blue Shield attests to implementing a company wide initiative to create an environment promoting personal, professional and team growth and success. To achieve this goal, the Blue Shield training plan in this Agreement dedicates time to continuous improvement skills training. The communication, decision making and teamwork training gained through this training is focused on creating a more positive work environment. Minimal parts of this plan have been implemented resulting in a turnover reduction to 20 percent in the past twelve months.

**PROPOSED ACTION:**

Staff recommends that the Panel:

1. Approve the high turnover waiver request; and
2. approve this agreement if funding is available and the project meets the Panel priorities.

**NARRATIVE:**

California Physicians' Service d.b.a. Blue Shield of California (Blue Shield) was founded in 1939, with 2.6 million members. The Company's customers include consumers located primarily in California, who receive coverage through the Blue Shield Health Maintenance Organization (HMO), Preferred Provider Organization (PPO), Point of Service (POS) plans, and traditional indemnity plans. It employs 4,205 people throughout California.

According to Blue Shield, the modern healthcare industry is extremely competitive, particularly in the areas of price, product options and service. Blue Shield's major competitors include Aetna Inc., CIGNA Corporation, and United Health Group Incorporated. To continue offering competitive rates, the Contractor states it must address the needs of customers and members by offering innovative new products, coupled with efficient service, in order to increase membership and customer base. Blue Shield must reduce administrative costs and transition to

a high performance workplace. It hopes to accomplish this by implementing new quality initiatives and systems and by streamlining processes.

The trainees covered by this proposed ETP training plan work in the Consumer Operations (Con Ops) Group. Their job duties include account set-up and membership, customer service, claims processing, member support and reimbursed services.

Blue Shield reports it invested approximately \$50 million over the last year in improving its technology-based infrastructure, including hardware and software improvements used by the Con Ops group.

Blue Shield assessed the skills required to improve efficiency and formulated the following training plan for all retrainees:

**Computer Skills** training will address skills needed by the frontline workers in order to perform their jobs using the new systems, processes and procedures. Topics include database records creation, advanced word processing, charting, and research skills as well as skills related to using automated macros and cross-trained system functions.

**Commercial Skills** training will provide frontline workers the skills necessary to operate the Contractor's new office systems and implement new processes and procedures. Cross-functional customer service, new claims processes and procedures, new data entry processes, and training on implementing and servicing new products will be included in the proposed ETP training plan.

**Business Skills** training includes communication and presentation skills; as well as skills related to bookkeeping and interpreting business contracts. These skills allow frontline workers to perform their job duties while implementing the Blue Shield's new processes and procedures.

**Continuous Improvement** training will deliver skills such as quality tools; technologies and concepts; problem solving skills; team building and group dynamics; data analysis; statistical process control; effective feedback; and other process improvement skills.

**NARRATIVE:** (continued)

***Supplemental Nature of Training***

Panel Legislation requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

Blue Shield provides ongoing training at its own expense. This ongoing training includes: new hire orientation training; basic clerical skills; business literacy; values; confidentiality training; code of business conduct; summary health care industry overview; and training related to the Company's mission and values. It offers performance management training to its frontline workers as well as leadership and behavior principles programs to supervisors and managers.

The training proposed in this application is new to Blue Shield and is directly related to the business goals of the Contractor. The proposed training is needed for the new departmental team formations; the goal to increase operating efficiency; and the new customer service initiatives, new systems and new products and is supplemental to any training provided by the Company.

**SUBCONTRACTORS:**

Subcontractors have not yet been determined by Blue Shield.

**THIRD PARTY SERVICES:**

Training Funding Partners, located in Irvine California, assisted Blue Shield with the preparation of the ETP application for a fee of \$40,000.

# CALIFORNIA PHYSICIANS' SERVICE DBA BLUE SHIELD OF CALIFORNIA MENU CURRICULUM

Class/Lab Hours  
24 – 175

Trainees will receive one or more of the following:

## COMMERCIAL SKILLS

- Customer Service/Cross-Functional Customer Service Skills
  - Contact Center Environment
  - Custom View
  - Reference Resources
  - Workflows
    - Member verification
    - Confidentiality
    - Scripting
    - Disclaimers
    - Subscriber & Provider Appeals
    - Benefit Specific Process
  - Specialty Skill Sets
    - Appeals & Grievances
    - Financial processing
    - Medical Management
    - Inpatient/Outpatient facility
    - Service Level Agreements & Extension of Authority
- Installation & Membership Processes
  - New Applications
    - Information/Payment System
    - Report Processing
    - Group Plan Entry Processing
    - Real Time Membership System
    - National Accounts System
  - Subscriber Change Requests
  - Healthy Families Installation Processing
  - Eligibility Processing
  - Reconciliation
  - Producer (Sales person/broker) Services
  - Dental Plan Maintenance
  - Membership Maintenance
- Claims Processes and Procedures
  - Capitated Facility Processing /Cross training
  - Encounter Processing
  - Claims Processing (IPA, HMO, PPO, Professional, Facility, Medicare, Dental, Federal, Blue Card
  - Claims Denials
  - Coordination of Benefits/Other Party Liability
  - Facility Claims/Claims Research and Processing
  - Suspense Processes

CALIFORNIA PHYSICIANS' SERVICE DBA BLUE SHIELD OF CALIFORNIA

## MENU CURRICULUM (Continued)

- Hospital Exceptions and Transplants(HEAT) Processes and Procedures
  - Stoploss Claims
  - Implants/Drugs
  - Trauma
  - All Carve-Outs from Facility Preferred Agreement
  - Applying FCR (Facility Claim Review)
  - Transplants
  - Provider Appeals on Exceptions and Transplants
- Triage Claims
- Professional, Facility, Home Health, Infusion therapy, Exception Payments, Adjustments
- Provider Relations Procedures
- Case Histories
- Medicare Processing/Medicare cross-training
- Foreign Claims Management
- Health Insurance Payment Demands/Exception Payments
- Multiple Level Pricing and Processing
- Home Health Processing
- Cross-Trained Claims Functions
- In-Patient/Out-Patient Pricing
- Special Account Processing
- Reconsiderations/Medical Reviews
- Existing condition Claims
- Blue Card Procedures and product implementation
- Upgraded Claims Sort Procedures
- New data entry processes
  - Professional, Facility, Medicare, Medicare Facility, pharmacy, dental data coding
  - Financial and Adjustments/Cash Management

## BUSINESS SKILLS

- Business Communication Skills
- Letter Writing/E-Mail Etiquette
- Bookkeeping
- Contract Interpretation Skills
- Presentation and public speaking skills
- Facilitation effective meetings and group situations

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## CONTINUOUS IMPROVEMENT SKILLS

- Learning styles and theories
- Evaluated learning
- Instructional design techniques
- Criterion-based testing
- New auditing processes
- Quality audit certification
- Statistical Process Control
- Performance Improvement certifications and techniques
- Giving and Receiving Feedback
- Work process theories and systems
- Quality Tools and technologies
- Process Improvement skills
- Root Cause Analysis
- Data collection and evaluation methods
- Six Sigma process and quality improvement models
- Problem-solving skills
- Group Dynamics
- Teambuilding

## COMPUTER SKILLS

- Using Automated Macros
- Intermediate and Advanced word processing, charting, database, and internet research skills
- Creating database format records
- System cross training
- Blue Shield proprietary applications